

Message Text

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ACTION ARA-14

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FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 6278
INFO AMCONSUL RIO DEJANEIRO
AMCONSUL SAO PAULO

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EO 11652 NA

TAGS EFIN ETRD BR

SUBJECT: TRADE BALANCE IN 1977 AND PROSPECTS FOR 1978

1. SUMMARY. BRAZIL RECORDER A TRADE SURPLUS OF \$140 MILLION IN 1977, WHICH REPRESENTED A DRAMATIC \$2.3 BILLION IMPROVEMENT OVER 1976 AND THE FIRST SURPLUS IN FOUR YEARS. EXPORTS INCREASED BY 20 PERCENT TO \$12.1 BILLION F.O.B. WHILE IMPORTS DECLINED BY 2 PERCENT TO \$12.0 BILLION FOB. A 30 PERCENT INCREASE IN TOTAL INDUSTRIALIZED EXPORTS ACCOUNTED FOR ONE HALF OF THE GROWTH IN EXPORTS. HIGHER COFFEE AND SOYBEAN EXPORT RECEIPTS RESULTING FROM HIGHER WORLD PRICES WERE RESPONSIBLE FOR ONE-QUARTER OF THE INCREASE IN EXPORTS. CAIPITAL GOODS IMPORTS DECLINED BY 13 PERCENT AND PETROLEUM IMPORT PAYMENTS INCREASED BY 6 PERCENT. FOR 1978 EMBASSY PROJECTIONS CURRENTLY FORESEE A SMALL INCREASE IN THE TRADE SURPLUS BASED ON A 3 PERCENT INCREASE IN IMPORTS AND A SHARP DROP IN EXPORT GROWHT TO ONLY ABOUT 5 PERCENT OR THE LOWEST GROWTH SINCE 1967. EARNINGS FROM BASIC PRODUCTS ARE EXPECTED TO DECLINE BY 3 PERCENT AND EXPORTS OF INDUSTRIALIZED GOOD ARE PROJECTED TO EXPAND BY 19 PERCENT. CONTINUED SLUGGISH ECONOMIC ACTIVITY AND DEMAND IN BRAZIL'S EUROPEAN

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EXPORT MARKETS AND REDUCED PRODUCTION OF SELECTED PRIMARY AGRICULTURA L
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PRODUCTS ARE THE MAIN FACTORS IN THE LOWER EXPORT GROWTH. THE FORECASTED INCREASE IN IMPORTS IS ALMOST WHOLLY ATTRIBUTABLE TO A HIGHER VOLUME OF WHEAT IMPORTS AND A 5 PERCENT INCREASE IN PAYMENTS FOR PETROLEUM.

2. THIS ESTIMATE OF BRAZIL'S FOREIGN TRADE PERFORMANCE IN 1978 IS BEING OFFERED AT A TIME OF VERY CONSIDERABLE UNCERTAINTY. FOR EXAMPLE, BRAZIL HAS NOT YET SOLD ANY SIGNIFICANT QUANTITIES OF COFFEE THIS YEAR; AND THE PROJECTION ASSUMES THE DECLINE IN IRON ORE EXPORTS TO HAVE BOTTOMED OUT. MORE IMPORTANTLY, THE EFFECT OF THE SEVERE DROUGHT IN THE SOUTH ON SUCH MAJOR CROPS AS SOYBEANS AND CORN--AND THE IMPLICATIONS FOR EXPORTS AND IMPORT REQUIREMENTS--CANNOT YET BE RELIABLE ASSESSED. IT SEEMS CLEAR, HOWEVER, THAT 1978 WILL BE FOR BRAZIL ESSENTIALLY ONE OF HOLDING ON TO LAST YEAR'S GAINS, WITHOUT A FURTHER SUBSTANTIAL IMPROVEMENT IN THE TRADE ACCOUNT LIKELY THIS YEAR. MISSION WILL REASSESS THE ESTIMATE AFTER AGRICULTURAL SITUATION CLARIFIES. END SUMMARY.

3. BRAZIL'S TRADE SURPLUS OF \$140 MILLION IN 1977 WAS IN SHARP CONTRAST TO THE TRADE DEFICITS OF \$4.7 BILLION IN 1974, \$3.5 BILLION IN 1975, AND \$2.1 BILLION IN 1976. THE GREATLY IMPROVED PERFORMANCE IN 1977 RESULTED FROM ACCELERATED GROWTH IN EXPORTS (20 PERCENT COMPARED TO 17 PERCENT IN 1976) AND CONTUED DECLINE IN TOTAL IMPORTS IN REAL TERMS. THE MAIN REASONS FOR THE INCREASED EXPORT EARNINGS WERE INCREASED AVAILABILITY OF EXPORTABLE GOODS OWING TO FAVORABLE AGRICULTURAL PRODUCTION COMBINED WITH REDUCED RATES OF INDUSTRIAL GROWTH AND CONSUMPTION, PENETRATION OF NEW FOREIGN MARKETS, AND 26-30 PERCENT HIGHER PRICES FOR AGRICULTURAL PRODUCTS AND SEMI-PROCESSED GOODS. A VARIETY OF INCENTIVES AND SUBSIDIES ALSO CONTINUED TO PLAY AN IMPORTANT ROLE IN BRAZIL'S EXPORT PERFORMANCE. LOWER LIMITED OFFICIAL USE

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IMPORT PAYMENTS RESULTED FROM REDUCED DOMESTIC DEMAND OWING ESPECIALLY TO SLOWER GROWTH IN INVESTMENT, THE BEGINNING OF SAVINGS FROM IMPORT SUBSTITUTION PROJECTS, MAINTENANCE OF ENERGY CONSERVATION POLICIES, MAINTENANCE OF PROTECTIONIST MEASURES AND POLICIES SUCH AS THE PRIOR IMPORT DEPOSIT REQUIREMENT AND PREFERENCE TO PRIVATE INVESTMENT PROJECTS WITH LOW IMPORT CONTENT, AND SIGNIFICANTLY LOWER WORLD PRICES FOR WHEAT.

4. EXPORT EARNINGS OF \$12,139 MILLION FOB IN 1977 WERE ABOUT 20 PERCENT OR \$2.0 BILLION HIGHER THAN IN 1976. EXPORTS OF PRIMARY PRODUCTS INCREASED 14 PERCENT. COFFEE EARNINGS, INCLUDING SOLUBLE, INCREASED BY 10 PERCENT TO \$2,642 MILLION ON THE BASIS OF EXPORTS OF 10 MILLION BAGS (35 PERCENT LESS THAN IN 1976) AT AN AVERAGE PRICE OF \$2.00 PER POUND (70 PERCENT HIGHER THAN IN 1976). DESPITE THE INCREASE IN RECEIPTS, COFFEE ACCOUNTED FOR ONLY ABOUT ONE-EIGHT OF THE INCREASE IN TOTAL EXPORTS AND REPRESENTED A SMALLER PROPORTION OF TOTAL EXPORTS IN 1977 (21.8 PERCENT) THAN IN 1976 (23.7 PERCENT). HIGHER PRICES ALSO ACCOUNTED FOR MOST OF THE INCREASED SOYBEAN AND COCOA RECEIPTS, WHILE DOUBLING IN THE VOLUME EXPORTED EXPLAINED THE INCREASE IN SUGAR EARNINGS. IRON ORE EXPORTS DECLINED BY NEARLY 9

PERCENT Owing to smaller volume. Total industrialized exports increased 30 percent, with semi-processed goods up 25 percent and manufactured goods up 32 percent. Semi-processed exports benefitted mainly from higher average prices, while the volume of manufactured exports was up 22 percent. Most impressive was 46 percent growth in capital goods exports. Total industrialized goods exports accounted for over one-half of the \$2.0 billion increase in exports in 1977 and represented 37 percent of total exports in comparison with 34-35 percent in 1974-76.

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5. SUMMARY OF BRAZIL'S EXPORTS, 1976-77 (MILLIONS OF \$US F.O.B.)

	1976	1977	CHANGE	
	ABOSLUTE PERCENT			
TOTAL EXPORTS	10,128	12,139	PLUS 2,011	19.9
PRIMARY PRODUCTS	6,657	7,621	PLUS 964	14.5
COFFEE 1/	2,399	2,642	PLUS 243	10.1
SOYBEANS 2/	1,584	1,858	PLUS 274	17.3
SUGAR 3/	306	463	PLUS157	51.3
COCOA 4/	219	435	PLUS 216	98.5
IRON	994	908	MINUS 86	MINUS 9.5
OTHER	1,155	1,315	PLUS 160	13.8
INDUSTRIAL GOODS	2,681	4,518	PLUS 1,047	30.2
MANUFACTURED	2,681	3,530	PLUS 849	31.7
CAPITAL GOODS	859	1,251	PLUS 392	45.6
OTHER 5/	1,822	2,279	PLUS 457	25.1
SEMI-PROCESSED	790	988	PLUS 198	25.1

SOYBEAN OIL 175 274 PLUS 99 56.6

OTHER 6/ 615 714 PLUS 99 16.1

1/ INCLUDES SOLUBLE; 2/ BEANS, MEAL, AND CAKES; 3/ INCLUDES REFINED;
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4/ BEANS ONLY; 5/ INCLUDES ORANGE JUICE; 6/ INCLUDES COCOA BUTTER.

6. BRAZIL'S IMPORT PAYMENTS DECLINED BY 2.3 PERCENT IN 1977 AS A 7.2 PERCENT REAL DROP IN VOLUME OF IMPORTS OFFSET A 5.4 PERCENT RISE IN AVERAGE PRICES. WHEAT IMPORTS EXPERIENCED A SIGNIFICANT 45 PERCENT DECLINE DUE TO BOTH LOWER PRICES (31 PERCENT) AND REDUCED VOLUME (24 PERCENT). THE \$252 MILLION REDUCTION IN PAYMENTS FOR WHEAT WAS EQUIVALENT TO ABOUT 90 PERCENT OF THE TOTAL DECLINE IN IMPORTS. PETROLEUM AND INTERMEDIATE GOODS ACCOUNTED FOR NEARLY EQUAL AMOUNTS OF IMPORT PAYMENTS (3.8 BILLION) AND PROPORTIONS OF TOTAL IMPORTS (32 PERCENT). PETROLEUM PAYMENTS INCREASED 5.8 PERCENT WITH ESSENTIALLY NO CHANGE IN THE VOLUME IMPORTED. INTERMEDIATE GOODS IMPORTS INCREASED BY ABOUT 4 PERCENT DUE MAINLY TO INCREASED VOLUMES OF FERTILIZERS AND NON-FERROUS METALS. SLOWER ECONOMIC GROWTH AND SOME IMPORT SUBSTITUTION FROM NEW DOMESTIC PRODUCTION PERMITTED IMPORTS OF STEEL TO DECLINE AND OF CHEMICALS AND PAPER TO RISE ONLY MARGINALLY. IN ALL THREE CASES, WORLD PRICES WERE LOWER THAN IN 1976 AND CONTRIBUTED TO OVERALL LOWER LEVELS OF PAYMENTS. A 24 PERCENT REDUCTION IN THE VOLUME OF CAPITAL GOODS IMPORTS ALSO REFLECTED REDUCED DOMESTIC DEMAND COMBINED WITH RISING DOMESTIC PRODUCTION. DESPITE 15 PERCENT HIGHER AVERAGE PRICES, THE VALUE OF CAPITAL GOODS IMPORTS THUS DROPPED BY NEARLY 13 PERCENT AND CONTINUED TO FALL AS A PROPORTION OF TOTAL IMPORTS, FROM 32.3 PERCENT IN 1975 TO 28.7 PERCENT IN 1976 AND 25.6 PERCENT IN 1977. CONSUMER GOODS IMPORT VOLUME (EXCLUDING WHEAT) DECLINED BY 9 PERCENT IN 1977 BUT ROSE IN VALUE BY 7 PERCENT BECAUSE OF HIGHER AVERAGE PRICES.

7. SUMMARY OF BRAZIL'S IMPORTS, 1976-77 (MILLIONS OF \$US F.O.B.)

CHANGE

1976 1977 ABSOLUTE PERCENT

TOTAL IMPORTS 10,128 11,999 MINUS 278 .8.7 2.3

CONSUMER GOODS 1,409 1,217 MINUS 192 MINUS 13.6

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WHEAT 532 280 MINUS 252 MINUS 47.4

OTHER 877 937 PLUS 60 6.8

INTERMEDIATE GOODS 3,707 3,853 PLUS 146 3.9

CHEMICALS 1,721 1,622 MINUS 99 MINUS 5.8

STEEL 610 584 MINUS 26 MINUS 4.3

FERTILIZERS	202	303	PLUS 101	50.0
NON-FERROUS METALS	357	445	PLUS 88	24.6
PAPER	197	193	MINUS 4	MINUS 2.0
OTHER	620	706	PLUS 86	13.9
CAPITAL GOODS	3,518	3,074	MINUS 4444	MINUS 12.6
PETROLEUM	3,643	3,855	PLUS 212	5.8

8. BOTH GOB AND EMBASSY ESTIMATE A MODEST INCREASE IN THE TRADE SURPLUS IN 1978 BASED ON GREATLY REDUCED EXPORT GROWTH AND A SMALL INCREASE IN IMPORTS, ALTHOUGH THIS PROJECTION IS SURROUNDED BY CONSIDERABLE UNCERTAINTY (SEE BELOW). CURRENT CENTRAL BANK PROJECTION

S PUT THE TRADE SURPLUS AT \$500-600 MILLION WHILE THE EMBASSY PROJECTS A SURPLUS OF JUST OVER \$400 MILLION. WE FORESEE EXPORT GROWTH OF ONLY ABOUT 5 PERCENT, WITH A 19 PERCENT INCREASE IN INDUSTRIALIZED GOODS EXPORTS OFFSETTING A 3 PERCENT DECLINE IN EXPORTS OF PRIMARY PRODUCTS. THE PROJECTED EXPORT PERFORMANCE IMPLIES THE LOWEST GROWTH RATE SINCE 1967 AND IS ATTRIBUTABLE TO THE FOLLOWING LADING FACTORS: LOWER WORLD PRICES FOR MAJOR AGRICULTURAL COMMODITIES (ESPECIALLY SOYBEANS AND COCOA); REDUCED DOMESTIC PRODUCTION AND EXPORT AVAILABILITY OF CERTAIN COMMODITIES DUE TO INADEQUATE RAINFALL AND/OR REDUCED CULTIVATED ACREAGE (E.G. CORN AND RICE); REDUCED VOLUME OF SUGAR EXPORTS DUE TO QUOTAS UNDER THE INTERNATIONAL SUGAR AGREEMENT. WITH THE OBVIOUS CAVEATS REGARDING SHIFTING CONSUMER DEMAND, WEATHER, AND OFFICIAL MARKETING POLICIES, WE ARE CURRENTLY PROJECTING COFFEE EXPORTS OF 13.5 MILLION BAGS AT AN AVERAGE PRICE OF \$1.55 PER POUND (\$205 PER BAG), GIVING EARNINGS OF \$2,768 MILLION OR 4.8 PERCENT HIGHER THAN IN 1977. IRON ORE EXPORT EARNINGS ARE PROJECTED TO RISE BY A MODEST 3 PERCENT. EXPORTS OF MANUFACTURED GOODS ARE PROJECTED TO INCREASE LIMITED OFFICIAL USE

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20 PERCENT AND SEMI-PROCESSED PRODUCTS 15 PERCENT, BASED ON FURTHER PENETRATION OF NEW MARKETS, ADEQUATE EXPORT AVAILABILITIES, AND WORLD INFLATION OF ABOUT 5 PERCENT.

9. THE MAIN CONTRIBUTOR TO INCREASED IMPORT PAYMENTS IN 1978 WILL BE A SUBSTANTIAL INCREASE IN WHEAT IMPORTS FROM 2.7 MILLION TONS IN 1977 TO 4.3 MILLION TONS AT AN AVERAGE PRICE OF \$120 PER TON FOB. PAYMENTS FOR OTHER CONSUMER GOODS AND FOR PETROLEUM ARE ASSUMED TO INCREASE CONSISTENT WITH AN AVERAGE 5 PERCENT INCREASE IN PRICES. CAPITAL GOODS IMPORTS ARE PROJECTED AT THE SAME

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LEVEL AS 1978, AS INCREASED HEAVY AND HIGHLY TECHNICAL MACHINERY WILL BE IMPORTED FOR PROJECTS SUCH AS THE ITAIPU HYDROELECTRIC WORKDS BUT WILL BE OFFSET BY GROWING DOMESTIC PRODUCTION OF LESS SOPHISTICATED CAPITAL GOODS THAT WILL MEET A LARGER PROPORTION OF BRAZIL'S TOTAL NEEDS. MODERATE INTERNAL DEMAND AND INCREASING IMPORT SUBSTITUTION (ESPECIALLY IN FERTILIZERS AND CHEMICALS) ARE PROJECTED TO PERMIT A 3 PERCENT DECLINE IN PAYMENTS FOR INTERMEDIATE GOODS. THE IMPACT OF THE PRIOR IMPORT DEPOSIT WILL NOT BE AS SIGNIFICANT IN 1978 AS IN 1976-77 SINCE ONLY INCREASED IMPORTS WILL ENTAIL ADDED COSTS. ON THE OTHER HAND, MAINTENANCE OF IMPORT PROHIBITIONS, IMPORT BUDGETS FOR THE STATE ENTERPRISES (EXCEPT PETROBRAS) AND GOB PREFERENCE FOR PRIVATE INVESTMENT PROJECTS WITH REDUCED DEPENDENCE ON IMPORTS WILL CONTINUE TO CONTRIBUTE SIGNIFICANTLY TO HOLDING DOWN IMPORT GROWTH.

10. PROJECTION OF BRAZIL'S TRADE BALANCE (MILLIONS OF \$US FOB).

CHANGE COMPARED TO 1977

1978	ABSOLUTE	PERCENT
TRADE BALANCE	416	PLUS 276
EXPORTS	12,773	PLUS 634 5.2
PRIMARY PRODUCTS	7,401	MINUS 220 MINUS 2.9

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COFFEE	2,768	PLUS 126 4.8
SOYBEANS	1,529	MINUS 329 MINUS 17.7
SUGAR	473	PLUS 10 2.2
COCOA	362	MINUS 73 MINUS 16.8
IRON	935	PLUS 27 3.0
OTHER	1,334	PLUS 19 1.4

INDUSTRIAL	5,372	PLUS 854	18.9
MANUFACTURED	4,236	PLUS 706	20.0
SEMI-PROCESSED	1,136	PLUS 148	15.0

IMPORTS	12,357	PLUS 358	3.0
CONSUMER GOODS	1,500	PLUS 283	28.2
WHEAT	516	PLUS 236	84.3
TOEHER	984	PLUS 47	5.0
INTERMEDIATE GOODS	3,735	MINUS 118	.8.7 3.1
CAPITAL GOODS	3,074	-	-
PETROLEUM	4,048	PLUS 193	5.0

11. COMMENT. GOB AND PRIVATE SECTOR COMMENTATORS ARE PLEASED WITH THE TRADE PERFORMANCE IN 1977, WHICH IS CREDITED IN LARGE PART WITH SUSTAINING FOREIGN BANKERS' CONFIDENCE AT A CRITICAL TIME WHEN DEBT SERVICE IS RISING SUBSTANTIALLY. THE SURPLUS OF \$140 MILLION WAS IN FACT THE BEST PERFORMANCE SINCE 1970 AND REFLECTED SUBSTANTIAL ADJUSTMENT--STRUCTURAL AS WELL AS THROUGH USE OF IMPORT RESTRICTIONS AND EXPORT INCENTIVES--TO THE FOURFOLD INCREASE IN OIL PRICES IN 1974. THE ASSOCIATION OF BRAZILIAN EXPORTERS ARE PROJECTING EXPORT GROWTH OF 17 PERCENT IN 1978 (PRIMARY PRODUCTS 13 PERCENT AND INDUSTRIALIZED 20 PERCENT). HOWEVER, MOST SUCH EXPECTATIONS FOR A REPEAT PERFORMANCE IN 1978 OF THE SHARP IMPROVEMENT RECORDED IN 1977 HAVE BEEN REPLACED BY GREATER REALISM. THE HEAD OF CACEX AND SEVERAL PRIVATE SECTOR ECONOMISTS HAVE NOTED THE DECLINE IN WORLD COMMODITY PRICES AND EVIDENCE IS MOUNTING REGARDING THE PROJECTIONS. THIS IS ANOTHER INDICATION OF THE LIMITED OFFICIAL USE

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ING THE ADVERSE EFFECTS ON PRODUCTION OF LACK OF RAIN IN SEVERAL MAJOR AGRICULTURAL AREAS AND OF PRICING POLICIES IN 1977 WHICH DISCOURAGED EXPANSION OF ACREAGE IN CERTAIN CROPS SUCH AS CORN AND RICE. CACEX HAS SAID THAT 10 PERCENT EXPORT GROWTH WILL PROBABLY BE THE MAXIMUM POSSIBLE PERFORMANCE IN 1978 AND THE CENTRAL BANK IS CURRENTLY PROJECTING UNOFFICIALLY A 7 PERCENT INCREASE. CURRENT EMBASSY PROJECTION OF 5 PERCENT EXPORT EXPANSION SUGGEST THE POOREST OVERALL EXPORT GROWTH PERFORMANCE SINCE 1967. WE BELIEVE THAT

AN INCREASE IN THE RANGE 5-10 PERCENT IS CONCEIVABLE IF EXTERNAL DEMAND INCREASES BUT AT THE PRESENT TIME WE DO NOT SEE EXPORTS OF ANY PARTICULAR LARGE COMMODITY OR PRODUCT GROUP EXPANDING SUFFICIENTLY TO OFFSET THE EXPECTED DECLINE IN EARNINGS FROM MAJOR NON-COFFEE AGRICULTURAL COMMODITIES. INDUSTRIALIZED EXPORTS COULD INCREASE FASTER THAN THE 19-20 PERCENT WE ARE PROJECTING BUT A NUMBER OF THE SEMI-PROCESSED AND EVEN MANUFACTURED GOODS ARE BASED ON AGRICULTURE AND MAY ALSO SUFFER FROM LACK OF SUPPLY. ON THE OTHER HAND, BRAZIL HAS NOT YET SOLD ANY SIGNIFICANT QUANTITIES OF COFFEE THIS YEAR, AND ALTHOUGH THE PROJECTED VOLUME OF EXPORTS IS BELOW THE HISTORIC AVERAGE AND THE PRICE CONSUMPTION MADE IN THESE PROJECTIONS IS CONSERVATIVE, IT IS DIFFICULT TO JUDGE WHETHER BRAZIL IS LIKELY TO REACH THE PROJECTED EXPORT LEVEL FOR COFFEE. SIMILAR

UNCERTAINTIES EXIST FOR IRON ORE. RECENT INFORMATION ON AGRICULTURAL LOSSES DUE TO DROUGHT CONDITIONS IN FACT SUGGEST TO US THAT EXPORTS OF AGRICULTURAL PRODUCTS COULD BE EVEN LOWER THAN WE ARE PROJECTING. REVISED CROP FORECASTS WILL NOT BE AVAILABLE, HOWEVER, UNTIL EARLY APRIL. ON THE IMPORT SIDE, WE SEE A NEED FOR SOME INCREASE IN CERTAIN CAPITAL GOODS IMPORTS OWING TO LARGE INVESTMENT PROJECTS THAT ARE UNDERWAY. IN RECENT YEARS, IMPORTS OF INTERMEDIATE GOODS CONTINUED TO RISE STEADILY AND THEREBY PERMITTED MAINTENANCE OF CAPACITY UTILIZATION. THE EFFECTS OF THE DROUGHT, IF SUFFICIENTLY SEVERE, COULD

RESULT IN ADDITIONAL IMPORT REQUIREMENTS FOR AGRICULTURAL PRODUCTS. HOWEVER, THERE ARE INDICATIONS THAT THE PRIVATE SECTOR IS OPERATING AT NEAR MAXIMUM CAPACITY AND IS PREPARED TO INCREASE INVESTMENT SPENDING SOMEWHAT IN 1978. OUR PROJECTIONS DO NOT ASSUME ANY INCREASE
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IN DOMESTIC PETROLEUM PRODUCTION IN 1978 BUT RATHER FORESEE CONTINUED SHORT-TERM RELIANCE ON HIGHER PRICES TO HOLD DOWN CONSUMPTION (E.G., A 15 PERCENT INCREASE IN GASOLINE PRICES WENT INTO EFFECT ON 20 FEBRUARY). GIVEN THE TOLERABLE BUT SOMEWHAT SOMBER TRADE PROSPECTS FOR 1978, THE GOB WILL PROBABLY CONTINUE TO BE VERY RELUCTANT TO REDUCE EXPORT INCENTIVES OR IMPORT RESTRICTIONS IN ANY GENERAL WAY IN THE NEAR FUTURE. THE STATED POLICY IS TO CONSIDER TRADE PROBLEMS ON A CASE-TO-CASE BASIS BUT TO MAINTAIN THE EXISTING OVERALL LEVEL OF EXPORT SUBSIDIZATION AND IMPORT RESTRICTIONS THROUGH 1978.

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